Rural Utilities Service Programs

Oregon Rural Health Conference

How to Apply

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RD Telecommunications Program Loan and Grant Programs

• **Telecommunications Infrastructure Loan Program:** Loans to improve and build telecommunications service in rural communities (<5,000 population).

• **Rural Broadband Loan Program (Farm Bill):** Loans to build and upgrade broadband services in rural high cost areas (<20,000 population)

• **Community Connect Grant Program:** Grants for broadband service providers and others who offer broadband services in rural and remote areas (<20,000 population)

• **Distance Learning/Telemedicine Loan and Grant Program:** Loans and grants for providing Distance Learning and Telemedicine services to rural residents and anchor institutions

More than $22 billion invested in rural America since 1949
The Community Connect Grant Program

- A nationally competitive grant program to provide broadband service to the most rural and economically challenged communities

- Communities of 20,000 population or less
The Community Connect Grant Program

Program Requirements

• Can serve only **one** community that is currently unserved by broadband
• 20,000 population or less
• 15% minimum required matching contribution
Available Funding

Minimum and Maximum Grant Amounts:

– $100,000 minimum
– $1,500,000 maximum
Eligible Applicants

- An incorporated organization,
- An Indian Tribe or tribal organization, as defined in 25 U.S.C. 450b(b) and (c),
- A state or local unit of government, or
- A cooperative, private corporation or limited liability company organized on a for-profit or not-for-profit basis.

**Individuals and Partnerships are not Eligible.**

Applicants must have the legal capacity and authority to apply for funding and enter into a contract with RUS.
Eligible Community

Must meet the following requirements:

1. A community recognized in the 2010 U.S. Census or in the most recent edition of Rand McNally’s “Commercial Atlas & Marketing Guide”

2. A community in which broadband service is not currently available

3. A community with population not exceeding 20,000

Any application proposing to serve more than one community will be considered ineligible.
Eligible Grant Purposes

Grant funds may be used to finance:

• The construction, acquisition, or leasing of facilities, including spectrum, to deploy Broadband Transmission Service to all participating Critical Community Facilities and to offer such services to residential and business customers in the community.
• The improvement, expansion, construction, or acquisition of a Community Center that furnishes free access to broadband Internet service. These costs cannot exceed the greater of 5% of the grant amount or $100,000.
• End-User Equipment needed to carry out the Project
• Operating expenses incurred in providing Broadband Services to Critical Community Facilities for 2 years of operation and in providing training and instruction. These costs cannot exceed $250,000.
• The purchase of land, buildings, or building construction needed to carry out the Project
Ineligible Grant Purposes

Grant funds may not be used to finance:

• The duplication of any existing broadband service provided by other entities; and

• Facilities to provide local exchange telecommunications service to any person or entity already receiving such service.
Matching Contribution

- Grant applicants must provide a matching contribution of at least 15% of the total amount of the financial assistance being requested.

- The matching contribution must be for eligible grant purposes only.

- The matching contribution is subject to the same dollar amount limitations for the Community Center and Operating Expenses. The aggregate amount of grant funds and matching funds cannot exceed the limitations set forth in the regulation.
Project Timeframe

- Grant funding is available for 3 years
- Applications should propose to use all grant funding and provide all matching contributions within 3 years.
Scoring

• Up to 100 points are available. These points are broken into 3 Scoring Components:
  – Rurality (up to 40 points are available)
  – Economic Need (up to 30 points are available)
  – Community Benefits (up to 30 points are available)
Elements of a Complete Application

- Application for Federal Assistance (SF 424)
- CCR CAGE Code
- Executive Summary
- Scoring Criteria Documentation
- System Design
- Scope of Work
- Community-Oriented Connectivity Plan

- Financial Information and Sustainability
- A Statement of Experience
- Evidence of Legal Authority and Existence
- Evidence of Funding Commitments from Other Sources
- Compliance with Other Federal Statutes and Regulations
The Broadband Loan Program

- This program is designed to provide loans for funding, on a technology neutral basis, for the costs of construction, improvement and acquisition of facilities and equipment to provide broadband service to eligible rural communities.

- The program’s goal is to ensure that rural consumers benefit from the same quality and range of telecommunications services that are available in urban and suburban communities.

- Created under the 2002 Farm Bill and reauthorized under the 2008 Farm Bill.
The Broadband Loan Program

Eligible Applicants

- Corporations
- Limited Liability Companies
- Cooperative or Mutual Organizations
- Indian Tribes
- Public Body
The Broadband Loan Program
Program Requirements

• Serving rural communities of 20,000 or less not in urbanized areas
• 25% of proposed service area is underserved (max. one provider)
• Service area cannot overlap an existing borrower
• Operating expenses are not fundable expenses
• Last mile projects with middle mile components
• $100 million maximum loan
• 10% minimum matching equity investment from borrower required
• Minimum funded speed of 5 Mbps (up+down)
The Broadband Loan Program

Eligible Purposes

Loan funds may be used to finance telecommunications services in rural areas for:

• New Construction
• Improvements
• Expansion
• Acquisitions (with restrictions)
• Refinancing (with restrictions)
Remember the Definitions

**Eligibility**
*Broadband Service*
- The amount of bandwidth being delivered to the household that will be used to determine service area eligibility
- 3 Mbps (up+down)

**Construction**
*Broadband Lending Speed*
- The amount of bandwidth that the funded facilities must be capable of delivering to every household
- 5 Mbps (up+down)
Remember the Definitions

*Incumbent Service Provider (per service area)*

1. Offers terrestrial **broadband service**
2. 5% of the households subscribe to **broadband service**
3. Files a public notice response
Remember the Definitions

**Underserved area or household**

- An area or household that is not offered broadband service or offer broadband service by only one incumbent service provider
Eligible Loan Purposes

- Facilities required to provide service at the broadband lending speed
- Capital lease for facilities to provide service at the broadband lending speed (up to 3 years)
- Pre-loan expenses (up to 5% of loan amount)
Eligible Loan Purposes

• To fund an acquisition
  1. Must be necessary to provide service at broadband lending speed
  2. Acquired service area is eligible for funding
  3. Is not more than 50% of the loan amount
  4. Must be for a controlling majority interest
Eligible Loan Purposes

• To refinance an RUS infrastructure loan
  1. For providing service at the **broadband lending speed**
  2. Not more than 40% of the loan
  3. Must be current on payments
  4. Amortization period is not extended
Ineligible Loan Purposes

- Operating expenses
- Any cost incurred prior to the application being deemed complete (except pre-loan)
- Acquisition of stock of an affiliate
- Acquisition of facilities from an affiliate
- Vehicles not for construction
Ineligible Loan Purposes

- Facilities not meeting the requirements of the loan documents and construction standards
- Facilities leased under an operating lease
- To fund merger or consolidation of entities
Ineligible Loan Purposes

• Purchase of CPE not owned unless:
  – Outside collateral is pledge equal to CPE cost
  or
  – A revolving fund is established where the actual cost of equipment is returned to fund
Eligible Service Area

- Service area is completely rural
- 25% of household are underserved households
- Less than 3 incumbent service providers
- Does not overlap current RUS borrowers or grantees
- Does not overlap a pending RUS application
Preliminary Assessment by RUS

• Is the service area rural
• Does the service area overlap with RUS borrowers or grantees
• Does the service area overlap with a pending application
Loan Terms

• Treasury Rate
• Maturity period based on life of facilities
• One year principal deferment
• $100 million maximum loan size
Loan Security

- First lien position on all assets and revenue of applicant

- First lien position can be shared with other lenders
Complete Application

- RUS Form 532
- Service area maps
- Evidence of equity
- Market Survey
- Competitive analysis
- 5 year pro forma
- Network design
- Legal opinion
- Licenses and regulatory approvals
Equity Requirement

• Minimum equity is 10% of loan amount
• Must be booked or evidence of commitments must be in application

• If not properly addressed – application will be rejected
Additional Cash Requirement

• If the 10% equity requirement is insufficient to demonstrate a positive cash balance then additional cash infusions will be required

• For start-ups, only 50% of projected revenues will be used in this analysis
Market Surveys

- For service offerings projecting less than a 20% penetration rate, no market survey is required
- For service offerings projecting more than a 20% penetration rate, a market survey is required
Competitive Analysis

• A competitive analysis must be completed identifying the competitor’s rate packages for the proposed service offerings
Financial & Network

• 5 year proforma demonstrating that the entire operation can sustain a TIER of 1.25 by the end of the 5th year

• System design demonstrating that all households can receive service at the broadband lending speed
Construction

• Must begin within 6 months from the date funds are made available

• All construction must be completed within 3 years from the date funds are made available
The Distance Learning and Telemedicine (DLT) Grant Program

The DLT Grant and Loan Programs provide rural communities with opportunities to obtain educational and medical services from distant locations utilizing communications technologies.

- $465 million in DLT grants and loans have been awarded total.
  More than $98 million has been invested in projects serving American Indian/Native Alaskan populations.
- Serving rural communities of 20,000 or less
- Minimum grant $50,000; maximum grant $500,000
- 15% required matching contribution
The DLT Grant Program
Eligible Applicants

- Corporation or a partnership; tribal nation or organization a state or local unit of government; a consortium; or other legal entity. For or not-for profit able to contract with the US Government. No individuals or sole-proprietorships.

- Operate a rural community facility or deliver DLT services to entities that operate a rural community facility or to residents of rural areas at rates calculated to ensure that the benefit of the financial assistance passes through to such entities or to residents of rural areas.
The DLT Grant Program

Definitions and Purpose

• DLT Grants are not just a way to obtain educational technology or medical equipment. The focus is on using the unique capabilities of telecommunications to connect rural areas to each other and to the world, thus overcoming the effects of remoteness and low population density.

Distance learning means a curriculum delivered via telecommunications and stresses the connection of students and teachers at remote sites.

Telemedicine means the delivery of health care from medical professionals at one site to patients at other sites via telecommunications. Telemedicine shows benefit to rural residents either in reduced travel or access to services.
The DLT Grant Program

Typical Projects

• Video-conferencing is the most common for distance learning

• Telemedicine:
  • Visiting nurse links from patient homes to health professionals elsewhere
  • Tele-radiology
  • Tele-dentistry
  • Tele-pharmacy
  • Virtual ICU
The Telecommunications Infrastructure Loan Program

• Since 1949, the Telecommunications Infrastructure Loan Program has provided financing for new and improved telecommunications infrastructure in rural communities of 5,000 or less

• Loan funds may be used to finance telecommunications services in rural areas for: new construction; improvements; expansions; acquisitions (with restrictions); and refinancing (with restrictions)

• Interest rates are set at current U.S. Treasury rates, depending on loan maturity at the time of each advance.

• Guaranteed loans from the Federal Financing Bank (FFB) and Hardship loans at a fixed 5% rate of interest are also available.

• More than $191 million in investment to projects serving American Indian/Native Alaskan populations

• Tribal telephone authorities receiving funding include: Cheyenne River Sioux Tribe, Tohono O’odham, San Carlos Apache, Fort Mojave Telecom, Hopi Telecom
The Telecommunications Infrastructure Loan Program
Eligible Applicants

• Rural utilities
• Municipalities
• Commercial corporations
• Limited Liability Companies
• Public Utility Districts
• Indian tribes
• Cooperative, nonprofit, limited-dividend or mutual associations